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 SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY
 OFFICE OF NATIONAL ESTIMATES

11 December 1952

STAFF MEMORANDUM NO. 296

SUBJECT: De-briefing of Ambassador Henderson

(The bulk of the following notes were made at the Ambassador's conference with the NSC Senior Staff on Tuesday, 2 December 1952.)

1. Background. By reason of their Shiite religion and Aryan racial background, the Iranians were isolated among the nations of the Middle East. They were also traditionally underdogs. As a result they had less admiration for force than other Moslems and more sympathy for the defeated in any conflict. In their personal characteristics, the Iranians were intelligent, facile, and emotional to an almost suicidal degree. The Ambassador stressed this emotional factor, which meant that Iranians would not necessarily react as Americans might, but were capable of acting for purely emotional reasons.

2. Attitude toward foreigners and the oil issue. Historically the Iranians had played off the British and the Russians, but had fared badly when both worked together as in 1907. Now, the desire to expel all foreign influence from Iran had become an obsession. On the other hand, the departure of the British had also created at least a temporary feeling of loneliness, and this had contributed to the fact that the Iranians were looking to the US more than at any previous time. They had no thought of taking the British back or of having foreigners running the oil industry. On the compensation

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question, they were willing to give "reasonable" compensation as a gesture, but were not willing to "mortgage the country." As to oil purchases, they badly wanted US companies to buy oil, even if only at the rate of 4-5 million tons a year. If this was not possible, they wanted US financial assistance, though because of the rebuffs to this suggestion a year ago they would not ask directly for this, but would only hint.

3. NIE-75: possibilities if US aid not forthcoming. The Ambassador called NIE-75 an "admirable paper," but added quickly that he would stress its qualifications and dark side. Logically, he said that the estimate was correct, but the situation was such that it was dangerous to rely on logic. The most critical danger was that if the Iranians became convinced that the US would not help, they might do "very rash things," and relations with the US could disintegrate very fast. From a very low point three months ago (the time of the US-UK joint offer), the stock of the US had risen greatly, and the US was now looked to for vital assistance. However, the Iranians must have something to show that the US was supporting them, and this "something" must be forthcoming very soon, at the latest by the end of February. The Ambassador said that he himself was very nearly at the end of his tether in making explanations for delay, and that a newly appointed Ambassador would have a very short "tether." As to the form of US assistance, resumed oil sales would probably be too small to help much from a strictly economic standpoint, but would help US prestige. On the economic side, the Iranians did not want grandiose US-sponsored projects, but rather would like the US to take over and support some of the projects they themselves had started. Above all, the US must not interfere in the government. The Iranians regarded US economic aid as in effect a "debt" (presumably for their past resistance to Communism and for the wartime occupation).

4. Soviet offers. In response to Mr. Dulles' question about the possibility that the Soviets might use the expiration of the Caspian Fisheries rights to make inviting offers, the Ambassador thought that Mossadeq would seek to stall off this issue, perhaps by asking for a de facto continuation of the concession, to avoid making any firm answer to what might be extensive Soviet demands.

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5. Political forces within Iran. The Tudeh was growing influence all the time, for negative reasons in the Ambassador's judgment. The Ambassador gave credence to reports that 20-30 trained revolutionaries had entered Iran in early July 1952. These had been taken by surprise by the Qavam riots, and had not been in a position to take decisive action then. They were probably now doing everything to lay a better groundwork for another opportunity when it arose. The Shah had been reduced to a negligible influence. Kashani, who three months ago had been flirting with Tudeh to take over the government, now did not have Tudeh support. Within the National Front, there did not appear to be any strong potential leader. Saleh (Ambassador to the US) was probably the best, but his leadership ability was doubtful. Fatemi, the foreign minister, was ruthless, ambitious, and capable of strong arm tactics, and might increase in power. On the military side, Zahedi was probably the "best of the lot," but it was doubtful whether he had any real following. Any military man would suffer from the fact that civilians generally distrusted the military. Moreover, the Army was very limited and narrow in its outlook.

6. Situation in the Iranian Army. The Army was now "in the wings" marking time. The top command was largely demoralized and going through the motions only. Mossadeq had deliberately sought to create a cleavage between the top command (down to Lt. Col. level) and junior officers, and had largely succeeded. The Army as a whole was probably still an effective force if given adequate leadership. However, the present Chief of Staff probably would not act decisively in any major disturbance, but would wait to see what the result was likely to be.

7. Conditions for an oil settlement. The Ambassador named the following as the minimum Iranian conditions:

- a. Iranian control of the oil supply and industry.
- b. Free sale of Iranian oil at a fair price.
- c. A money advance to the Iranian Government, which could be in the form of a loan.

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- d. Provision for compensation to the British, either through a lump sum or through arbitration under conditions that would limit Iran's possible payment. (The Ambassador thought that Iran would accept compensation in the form of 4 million tons of oil a year over a ten-year period.)



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